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The Economic Crisis in Russia and Its Political Contexts

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Signs of a severe crisis of Russia's economy are multiplying, which threatens the stability and future of Putin's regime. The economic sanctions imposed on Russia are among the main triggers of the crisis, along with the sharp decline in the price of oil, which – according to Russian officials – is the result of deliberate anti-Russian activity initiated by the United States.

This crisis is directly linked to developments on the Ukrainian front. The ongoing, low-intensity Ukrainian conflict has turned into a manifest Russian defeat. Ukraine has cut itself off from Russia's influence and forged closer relations with the West, lowering Russia's chances of establishing a viable Eurasian Union under its leadership. Adding to Moscow's predicament, the West, led by the United States, has imposed strong economic sanctions on Russia because of its Ukrainian policy. As a result, Russia currently faces a very challenging economic reality that is forcing it to try to annul some of the steps were taken against it.

From the perspective of the United States, Russia's difficult situation seems well-suited (at least better than in many years) to US attempts to promote its global strategic objectives. Yet Washington has a list of demands that Russia will find hard to accept. The willingness of the United States to ease the strong pressure exerted on Russia hinges on Moscow's readiness to concede its assertive policy in eastern Ukraine in particular and in Russia's post-Soviet neighbors in general, for the conflict over Ukraine is neither an accidental nor a stand-alone issue. The Russia-US conflict (in effect, a Russian-Western conflict) is about gaining comprehensive influence on the post-Soviet space and for this reason it will not end with a compromise over Ukraine alone. Therefore any arrangement palatable to the West will also presumably involve elements connected to other post-Soviet territories in dispute.

In tandem with the Ukraine crisis, recent months have seen increased Russian activity across the Middle East. Russia's relations with several Sunni states – including Egypt, Saudi Arabia and other Gulf states, Jordan, and Lebanon – have been upgraded, mitigating the coldness that characterized these relations following the outbreak of the so-

called Arab Spring. Russia has signed arms deals, some of them quite large (e.g., with Egypt) with most of these states, while maintaining good relations with its traditional allies: Syria, Iraq, and Iran. Most prominently, after years of strong tension, relations between Russia and Turkey have improved. President Putin visited Ankara in late November, and the two countries signed an agreement on a new gas line from Russia through Turkey to Europe. It seems that as part of its strategy vis-à-vis its complex international situation, Russia has chosen to increase its involvement in the Middle East so as to convert its achievements in the region into leverages of influence on the West, especially on issues pertaining to Eastern Europe. Indeed, within just a two-month time period, Russian activity in the Middle East has scored substantive successes that could form the new basis for a Russian-Western dialogue on Ukraine and other issues.

Furthermore, Russia is seeking to find new ideas that would serve as a basis for a compromise, ultimately resulting in the lifting of Western sanctions. Moscow's current Middle East activity is insufficient to that end, and therefore Russia must come up with alternatives. It may be that the Syrian conflict will serve as a new focus for this Russian calculation. In practice, Russia remains the main supporter of Bashar al-Assad's regime and can topple it should it choose to do so. A development of this nature would in fact be congruent with the interests of the US administration, and it may be that this is the background to recent Russian moves in Syria: Putin's Middle East envoy, Deputy Foreign Minister Mikhail Bogdanov, recently met with rebel leaders in Syria, Hizbollah leader Hassan Nasrallah, and the Syrian leadership itself; Russia and Iran have been in contact, possibly hinting at the intention to formulate a joint proposal for a Syrian settlement; and Syrian, Iraqi, and Hizbollah representatives met in Tehran, another sign of possible consultations on Syria's regime. There have also been indications that Russia intends to hold a conference on Syria's future, including discussions on Assad's mandate. It may be that an initiative was already formulated by Russia and Iran whereby a new Syrian government, comprising opposition elements, would be declared in the course of an international conference that would also decide Assad's status (his removal or his incorporation in the new government in a minor capacity). Such a development would mean a new political reality in Syria whose principles would be shaped cooperatively by the West, Russia, and Iran, with the backing of the pragmatic Sunni nations in the Middle East.

This formula will likely neither be accepted by the US administration nor prompt it to lift the sanctions, because the future of Syria is hardly the only issue dividing Washington and Moscow. The December 14, 2014 meeting in Rome between Secretary of State John Kerry and Foreign Minister Sergey Lavrov dealt with the Middle East crises that are of utmost interest to Russia: the civil war in Syria, the Israeli-Palestinian political process, and the negotiations with Iran over the nuclear issue. In exchange for lifting the sanctions, Russia would presumably have to cooperate with the United States on these

three issues, as well as on the Ukrainian crisis. For its part, the US administration is signaling its willingness to advance new understandings with Moscow: President Obama has yet to implement further sanctions on Russia already approved by Congress. But because it is hard to imagine Russia doing an about-face, lowering its profile on the international arena, and adapting its policies on key issues in the Middle East so that it is more aligned with the United States, the sanctions regime on Russian economy is far from over. Therefore, it is almost certain that the severe economic crisis unfolding in Russia has not yet reached its peak.

It is too early to eulogize Vladimir Putin's rule. He still enjoys widespread public support and projects a sense of being in control of the situation. But the trend is one of crisis whose key feature is uncertainty. It is impossible to predict the scope and duration of the Russian economic decline and its possible negative impact on the nation's governmental and social stability. This uncertainty – in addition to domestic disagreements over appropriate policies – means that the potential for exacerbation of the Russian-Western conflict remains. It may be that the economic pressure will spur Russia to show flexibility and compromise with the West in order to contain the economic challenge, with its domestic and international repercussions. On the other hand, if Russia persists in maintaining its recent policy on the international arena, not only will the economic crisis and its international impact worsen, but the difficulty in promoting coordinated moves among the great powers and collaboratively address crises in areas of dispute – including in the Middle East – will be further aggravated.

